

**General Assembly
Fiscal Review Committee**

**For the Years Ended
June 30, 1997, and June 30, 1996**

Arthur A. Hayes, Jr., CPA

Director

Charles K. Bridges, CPA

Assistant Director

Kandi B. Thomas, CPA

Audit Manager

Martha P. McClune, CPA

In-Charge Auditor

Jennifer White

Staff Auditor

Jane Russ

Editor

September 3, 1998

The Honorable John S. Wilder
Speaker of the Senate
and
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
James Davenport, Executive Director
Fiscal Review Committee
War Memorial Building
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected activities of the Fiscal Review Committee for the years ended June 30, 1997, and June 30, 1996.

We conducted our audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the committee's compliance with the provisions of laws and regulations significant to the audit. Management of the Fiscal Review Committee is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the committee's internal controls and/or instances of noncompliance to the Fiscal Review Committee's management in a separate letter.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/ms
98/096

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Fiscal Review Committee

For the Years Ended June 30, 1997, and June 30, 1996

AUDIT SCOPE

We have audited the Fiscal Review Committee for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of expenditures and payroll and personnel. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Fiscal Review Committee
For the Years Ended June 30, 1997, and June 30, 1996

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Fiscal Review Committee

For the Years Ended June 30, 1997, and June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Fiscal Review Committee. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

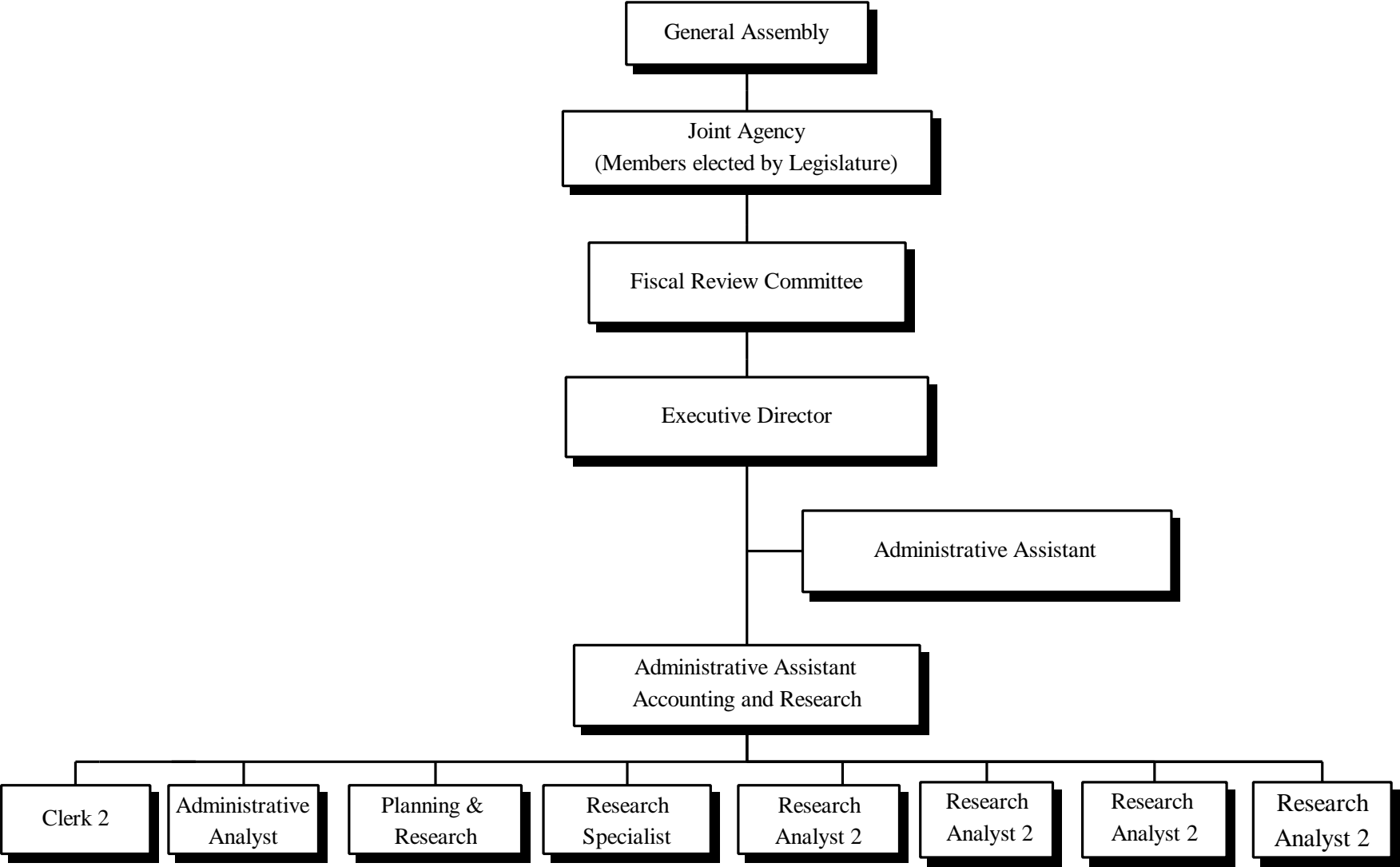
BACKGROUND

The Eighty-fifth General Assembly established the Fiscal Review Committee in 1967 as a special, continuing committee to keep the members of the legislature informed of the fiscal matters of the State of Tennessee. The committee is composed of six senators and nine representatives elected by their respective houses; the speakers of both houses; and the chairs of the Finance, Ways and Means Committees of both houses. The Comptroller of the Treasury serves as secretary and is directed to furnish staff as required.

The Fiscal Review Committee conducts a continuing review of the fiscal operations of state government. The committee is responsible for preparing and distributing the fiscal notes required by Section 3-2-107 of *Tennessee Code Annotated*. With the Comptroller and the Commissioner of Finance and Administration, the committee is responsible for reviewing, at least annually, the organization and operation of state government to determine if changes are needed.

An organization chart of the department is on the following page.

FISCAL REVIEW COMMITTEE



AUDIT SCOPE

We have audited the Fiscal Review Committee for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of expenditures and payroll and personnel. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

EXPENDITURES

Our objectives in the review of expenditures were as follows:

- To obtain an understanding of the components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) in order to plan the audit.
- To determine whether related policies and procedures were adequate and in operation.
- To perform analytical procedures to obtain a general knowledge of the types and amounts of annual expenditures and to detect unusual or unexpected patterns or trends in expenditures.
- To consider the results of the analytical procedures in planning the audit and preparing the written audit program.
- To determine whether recorded expenditures were adequately supported, reasonable, and proper.
- To determine if payments for travel were paid in accordance with the Comprehensive Travel Regulations.

A planning and internal control questionnaire was administered to obtain an understanding of the components of internal control and to determine whether related policies and procedures were adequate and in operation. In conjunction with the questionnaire, relevant documents were reviewed and related administrative operations were observed.

A budget variance report comparing current-year actual expenditures to prior-year actual expenditures and actual expenditures to budgeted expenditures was obtained from the Division of State Audit's EDP retrieval staff. The report was analyzed and significant variances were discussed with the committee's administrative staff. Corroborating evidence was obtained and reviewed as considered necessary.

Listings of expenditure transactions recorded in the State of Tennessee Accounting and Reporting System were obtained and reviewed. Transactions that appeared unusual or unexpected were selected for detailed testwork. In general, transactions were selected based on the object code charged, the name of the payee (vendor), and the amount of the transaction.

Documentation for the items selected was reviewed to determine if the expenditure appeared reasonable and proper, was adequately supported, and had been properly approved. We determined whether the documentation (e.g., vendor invoice) had been canceled to preclude duplicate payment and if there was evidence that the item or service had been received. Travel expenditures were also tested for compliance with the Comprehensive Travel Regulations set forth by the Department of Finance and Administration.

We had no findings related to expenditures; however, other minor weaknesses came to our attention and have been reported to management in a separate letter.

PAYROLL AND PERSONNEL

Our objectives in the review of payroll and personnel were as follows:

- To obtain an understanding of the components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) in order to plan the audit.
- To determine whether related policies and procedures were adequate and in operation.
- To perform analytical procedures to detect unusual or unexpected changes in gross pay.
- To determine if payroll disbursements were authorized and adequately supported.
- To determine if compensatory time was taken within applicable guidelines.
- To determine if employees hired or moved into new positions during the audit period were qualified for their positions.
- To determine if excessive annual leave was properly transferred to sick leave.

A planning and internal control questionnaire was administered to obtain an understanding of the components of internal control and to determine whether related policies and procedures were adequate and in operation. In conjunction with the questionnaire, relevant documents were reviewed and related administrative operations were observed.

Lists of employees and gross pay amounts were obtained from the State Employee Information System, the state's payroll and personnel information system, by the Division of State Audit's EDP retrieval staff. Current-year gross pay amounts were compared to prior-year amounts. Significant changes in gross pay were discussed with the employee responsible for payroll, and supporting documentation in the personnel files was examined.

A nonstatistical sample of payroll transactions was selected by the EDP retrieval staff for detailed testwork. Each transaction was tested to determine if the gross pay amount agreed to approved documentation in the employee's file, if compensatory time claimed complied with the guidelines of the Department of Personnel, and if the related timesheets were properly approved by the supervisor and signed by the employee. We determined that the employee—if he or she was newly hired or had changed positions during the audit period—was qualified for the position held and did not appear on the next succeeding payroll register if she or he had been terminated. Last, we verified that excessive annual leave was properly transferred to sick leave.

We had no findings related to payroll and personnel; however, other minor weaknesses came to our attention and have been reported to management in a separate letter.

PRIOR AUDIT FINDINGS

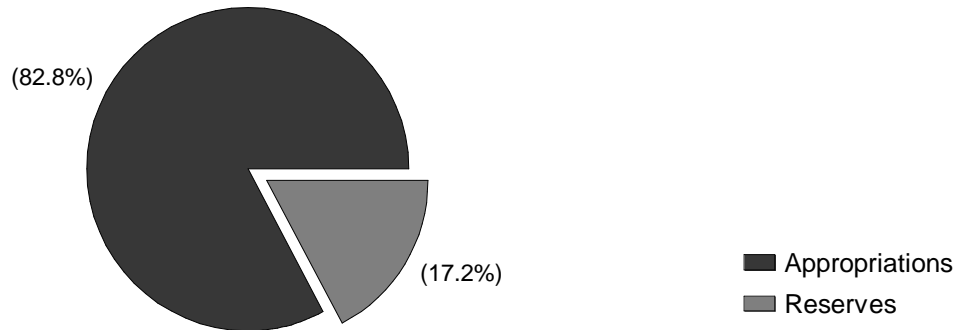
There were no findings in the prior audit report.

APPENDIX

Fiscal Review Committee allotment code—301.50

Fiscal Review Committee Funding Sources

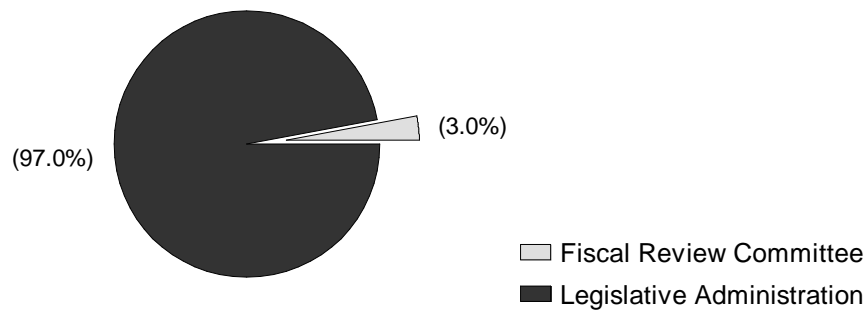
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Fiscal Review Committee

Fiscal Review Committee Expenditures

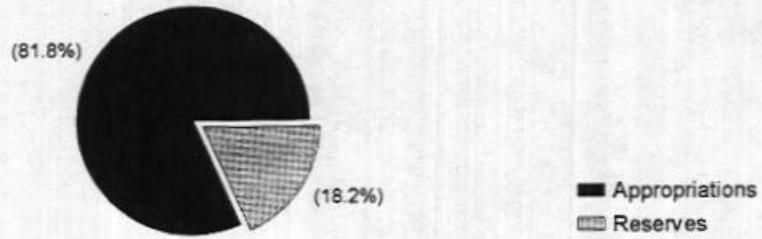
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Fiscal Review Committee

Fiscal Review Committee Funding Sources

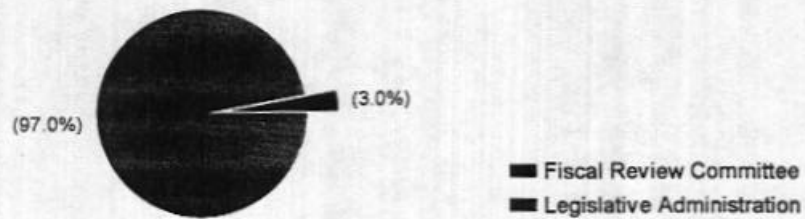
Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Fiscal Review Committee

Fiscal Review Committee Expenditures

Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Fiscal Review Committee